

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Fairbanks	County Delta
Fiscal Year End March 31, 2008	Opinion Date May 12, 2008	Date Audit Report Submitted to State May 19, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES                                 | NO                                  | Check each applicable box below. (See instructions for further detail.)   |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.  |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 4. The local unit has adopted a budget for all required funds.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 5. A public hearing on the budget was held in accordance with State statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 8. The local unit only holds deposits/investments that comply with statutory requirements.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 11. The local unit is free of repeated comments from previous years.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 12. The audit opinion is UNQUALIFIED.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 14. The board or council approves all invoices prior to payment as required by charter or statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 15. To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Notes to Financial Statements	11-16
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	17
Other supporting information:	
General Fund Expenditures by Detailed Account	18
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	19

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **INDEPENDENT AUDITOR'S REPORT**

May 12, 2008

To the Township Board  
Township of Fairbanks  
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Fairbanks, Delta County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Fairbanks's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Fairbanks, Delta County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Fairbanks covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$57,800.50 from governmental activities with a \$1,142.16 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

The annual report consists of basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$55,169.34.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities do not have any long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan  
CONDENSED FINANCIAL INFORMATION  
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	77 863
Capital Assets	<u>18 051</u>
Total Assets	<u>95 914</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	18 051
Unrestricted	<u>77 863</u>
Total Net Assets	<u><u>95 914</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:	
Fees and Charges for Services	3 546
General Revenues:	
Property taxes	20 122
Other taxes	5 080
State Revenue Sharing	23 463
Interest	1 548
Miscellaneous	<u>4 042</u>
Total Revenues	<u>57 801</u>
Program Expenses:	
Legislative	12 378
General Government	31 945
Public Safety	8 356
Public Works	3 860
Recreation and Culture	<u>120</u>
Total Expenses	<u>56 659</u>
Increase in Net Assets	1 142
Net Assets, April 1	<u>94 772</u>
Net Assets, March 31	<u><u>95 914</u></u>

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Cindy Thill, at 13250 8<sup>th</sup> Road; Garden, MI 49835 or by phone at (906) 644-2007.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	75 243 54
Taxes receivable	<u>2 619 35</u>
Total Current Assets	<u>77 862 89</u>
NON-CURRENT ASSETS:	
Capital Assets	57 761 00
Less: Accumulated Depreciation	<u>(39 710 00)</u>
Total Non-current Assets	<u>18 051 00</u>
TOTAL ASSETS	<u><u>95 913 89</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	18 051 00
Unrestricted	<u>77 862 89</u>
Total Net Assets	<u>95 913 89</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>95 913 89</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	12 377 73	-	(12 377 73)
General government	31 944 76	3 545 82	(28 398 94)
Public safety	8 355 65	-	(8 355 65)
Public works	3 860 20	-	(3 860 20)
Recreation and culture	120 00	-	(120 00)
<b>Total Governmental Activities</b>	<u>56 658 34</u>	<u>3 545 82</u>	<u>(53 112 52)</u>
<b>General Revenues:</b>			
Property taxes			20 121 95
Other taxes			5 080 46
State revenue sharing			23 462 99
Interest			1 547 70
Miscellaneous			<u>4 041 58</u>
<b>Total General Revenues</b>			<u>54 254 68</u>
<b>Change in net assets</b>			1 142 16
<b>Net assets, beginning of year</b>			<u>94 771 73</u>
<b>Net Assets, End of Year</b>			<u>95 913 89</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	72 763 27
Taxes receivable	2 619 35
Due from other funds	<u>2 480 27</u>
Total Assets	<u>77 862 89</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	-
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>77 862 89</u>
Total fund equity	<u>77 862 89</u>
Total Liabilities and Fund Equity	<u>77 862 89</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 77 862 89

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	57 761 00
Accumulated depreciation	<u>(39 710 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 95 913 89

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	20 121 95
Other taxes	5 080 46
State revenue sharing	23 462 99
Charges for services – PTAF	3 545 82
Interest	1 547 70
Miscellaneous	<u>4 041 58</u>
Total revenues	<u>57 800 50</u>
Expenditures:	
Legislative:	
Township Board	12 377 73
General government:	
Supervisor	2 408 32
Elections	1 098 68
Assessor	8 889 10
Clerk	3 375 36
Board of Review	445 00
Treasurer	7 754 32
Building and grounds	4 912 61
Cemetery	1 572 37
Public safety:	
Fire protection	4 433 01
Ambulance	3 922 64
Public works:	
Highways and streets	3 860 20
Recreation and culture:	
Recreation	<u>120 00</u>
Total expenditures	<u>55 169 34</u>
Excess of revenues over expenditures	2 631 16
Fund balances, April 1	<u>75 231 73</u>
Fund Balances, March 31	<u><u>77 862 89</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 2 631 16

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(1 489 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>1 142 16</u>
---	-----------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Fairbanks, Delta County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Fairbanks. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Investments

Investments are stated at market.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.2291 mills, and the taxable value was \$16,364,252.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	20-50 years
Equipment	5 years

**Compensated Absences (Vacation and Sick Leave)**

Employees are not allowed to accumulate vacation and sick pay.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.



TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>75 243 54</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	81 904 15
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>81 904 15</u>

The Township did not have any investments as of March 31, 2008.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>2 480 27</u>	Current Tax Collection	<u>2 480 27</u>

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
<b><u>Governmental Activities:</u></b>				
Land	3 300 00	-	-	3 300 00
Buildings	51 313 00	-	-	51 313 00
Equipment	<u>3 148 00</u>	<u>-</u>	<u>-</u>	<u>3 148 00</u>
Total	57 761 00	-	-	57 761 00
Accumulated Depreciation	<u>(38 221 00)</u>	<u>(1 489 00)</u>	<u>-</u>	<u>(39 710 00)</u>
Net Capital Assets	<u>19 540 00</u>	<u>(1 489 00)</u>	<u>-</u>	<u>18 051 00</u>

**Note 7 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 – Building Permits**

The Township of Fairbanks does not issue building permits. Building permits are issued by the County of Delta.

**Note 10 – Budget Variances**

For the fiscal year ended March 31, 2008, the Township exceeded budgeted expenditures in the following activities:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund:			
Township Board	11 860 00	12 377 73	517 73
Treasurer	7 600 00	7 754 32	154 32
Building and grounds	4 500 00	4 912 61	412 61
Cemetery	1 500 00	1 572 37	72 37
Fire protection	4 433 00	4 433 01	01

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	22 292 14	22 292 14	20 121 95	(2 170 19)
Other taxes	5 080 46	5 080 46	5 080 46	-
State revenue sharing	23 295 13	23 295 13	23 462 99	167 86
Charges for services – PTAF	-	-	3 545 82	3 545 82
Interest	-	-	1 547 70	1 547 70
Miscellaneous	6 878 76	6 878 76	4 041 58	(2 837 18)
<b>Total revenues</b>	<b>57 546 49</b>	<b>57 546 49</b>	<b>57 800 50</b>	<b>254 01</b>
<b>Expenditures:</b>				
Legislative:				
Township Board	11 860 00	11 860 00	12 377 73	517 73
General government:				
Supervisor	2 500 00	2 500 00	2 408 32	(91 68)
Elections	2 000 00	2 000 00	1 098 68	(901 32)
Assessor	9 000 00	9 000 00	8 889 10	(110 90)
Clerk	3 400 00	3 400 00	3 375 36	(24 64)
Board of Review	700 00	700 00	445 00	(255 00)
Treasurer	7 600 00	7 600 00	7 754 32	154 32
Building and grounds	4 500 00	4 500 00	4 912 61	412 61
Cemetery	1 500 00	1 500 00	1 572 37	72 37
Public safety:				
Fire protection	4 433 00	4 433 00	4 433 01	01
Ambulance	4 000 00	4 000 00	3 922 64	(77 36)
Public works:				
Highways and streets	4 750 00	4 750 00	3 860 20	(889 80)
Recreation and culture:				
Recreation	220 00	220 00	120 00	(100 00)
Contingency	1 083 49	1 083 49	-	(1 083 49)
<b>Total expenditures</b>	<b>57 546 49</b>	<b>57 546 49</b>	<b>55 169 34</b>	<b>(2 377 15)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>2 631 16</b>	<b>2 631 16</b>
<b>Fund balance, April 1</b>	<b>48 196 35</b>	<b>48 196 33</b>	<b>75 231 73</b>	<b>27 035 40</b>
<b>Fund Balance, March 31</b>	<b>48 196 35</b>	<b>48 196 33</b>	<b>77 862 89</b>	<b>29 666 56</b>

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Township Board:	
Salaries	741 60
Payroll taxes	1 012 51
Dues	510 05
Professional service	2 443 53
Audit	2 500 00
Insurance	5 149 00
Miscellaneous	21 04
	<u>12 377 73</u>
Supervisor:	
Salary	2 368 98
Miscellaneous	39 34
	<u>2 408 32</u>
Elections:	
Wages	832 32
Supplies	266 36
	<u>1 098 68</u>
Assessor	<u>8 889 10</u>
Clerk:	
Salary	3 168 98
Supplies	79 82
Miscellaneous	126 56
	<u>3 375 36</u>
Board of Review	<u>445 00</u>
Treasurer:	
Wages	4 985 48
Postage	408 00
Equalization	2 066 94
Miscellaneous	293 90
	<u>7 754 32</u>
Building and grounds:	
Wages	600 00
Supplies	48 17
Utilities	2 203 94
Repairs and maintenance	1 020 00
Miscellaneous	1 040 50
	<u>4 912 61</u>
Cemetery:	
Salary	1 200 00
Miscellaneous	372 37
	<u>1 572 37</u>
Fire protection:	
Contracted services	<u>4 433 01</u>
Ambulance	<u>3 922 64</u>
Highways and streets:	
Repairs and maintenance	3 625 45
Street lighting	234 75
	<u>3 860 20</u>
Recreation	<u>120 00</u>
Total Expenditures	<u>55 169 34</u>

TOWNSHIP OF FAIRBANKS  
Delta County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>25 201 77</u>	<u>483 077 90</u>	<u>505 799 40</u>	<u>2 480 27</u>
Total Assets	<u>25 201 77</u>	<u>483 077 90</u>	<u>505 799 40</u>	<u>2 480 27</u>
<u>Liabilities</u>				
Due to other funds	<u>25 201 77</u>	<u>21 627 63</u>	<u>44 349 13</u>	<u>2 480 27</u>
Due to other units	<u>-</u>	<u>461 450 27</u>	<u>461 450 27</u>	<u>-</u>
Total Liabilities	<u>25 201 77</u>	<u>483 077 90</u>	<u>505 799 40</u>	<u>2 480 27</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 12, 2008

To the Township Board  
Township of Fairbanks  
Delta County, Michigan

We have audited the financial statements of the Township of Fairbanks for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Fairbanks in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Fairbanks  
Delta County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants